

Appendix A

Milk Production Cost Comparison: Glossary of Terms

Production Cost Comparison (Cost Comp) is a comprehensive report pertaining solely to the dairy enterprise. This information includes all costs and activities related only to milking and dry (total) cows. It does not include information relating to calf raising, heifer raising and other farming enterprises. The Cost Comp is designed to provide a constructive tool for better decision-making and to closely reflect the actual cost of producing milk.

All costs are based on a per cow per month basis, unless otherwise noted.

Number of Herds – number of herds in each size category.

1. Feed Costs - All feed costs attributed to the dairy enterprise.

- a) *Dry Roughage* – All forages low in moisture content and high in fiber (e.g.) alfalfa hay, oat hay and almond hulls.
- b) *Wet Feed and Wet Roughage* – All forages high in moisture content (e.g.) Wet Feed: brewers' malt, wet whey, wet citrus and cull vegetables. Wet Roughage: haylage, earlage, corn silage, and green chop.
- c) *Grain* – Products relatively high in energy and low in fiber, including grains, milled by-products, and protein product (e.g.) rolled corn or barley, whole cottonseed, dried distillers grain and custom premixes.
- d) *Mineral & Supplements* – Micro or macro minerals and any vitamins and feed additives that improve feed efficiency (e.g.) molasses and bicarbonate.
- e) *Pasture* – Includes any grazing on land that contains pasture grasses or legumes.

2. Total Labor – Comprises all paid hired labor attributed to the dairy enterprise.

- Salaried and hourly labor total includes gross wages earned by hired milkers, pushers, feeders, and outside workers plus employer taxes and perquisites (e.g.) Employer Taxes: workers compensation insurance, unemployment insurance, and social security; Perquisites: house, utilities, health insurance.

3. Herd Replacement – A twelve-month rolling average of the number and value of cows entering the herd, minus the total receipts for the same number of cows culled and dead.

4. Operating Costs

- a) *Utilities* – Includes electricity, natural gas, garbage, telephone, water, etc.
- b) *Supplies* – Includes products needed for producing milk (e.g.) soaps, iodine, hoses, office supplies, A.I.

expenses, etc.

- c) *Veterinary and Medicine* – All costs for veterinary work, veterinary supplies, rBST, etc.
- d) *Outside Services* – Hired services (e.g.) accountant, nutritionist, hoof trimmer, DHIA or private testing, etc.
- e) *Repairs and Maintenance* – All repairs and upkeep of equipment and structures used by the dairy enterprise (e.g.) milking parlor, free-stalls, corrals, feedwagons, etc.
- f) *Bedding & Manure Haul* – Cost incurred to scrape corrals and haul manure, may include any dirt or filler to maintain corrals and free-stalls.
- g) *Tractors, Trucks, Fuel & Oil* – Fuel and oil used by the dairy enterprise only. If equipment is shared with other farming enterprises, the usage is allocated on an hourly or mileage calculated cost.
- h) *Miscellaneous* – Any other operating costs not covered above (e.g.) County or state permits, branding fees, subscriptions, producer association fees, etc.
- i) *Interest* - Interest expense paid on outstanding loans.
- j) *Lease Expense* – Expense for leasing dairy facility.
- k) *Depreciation* – Straight-line depreciation on any owned equipment or buildings used by the dairy enterprise.
- l) *Taxes & Insurance* – Tax expense due on owned real and personal property. Insurance for public liability, property damage, fires and storm coverage.

5. Milk Marketing Costs –

- a) *Hauling* – Fees paid to haul milk from ranch to plant, plus any stop charges.
- b) *State Assessments* – Dairy Marketing, Milk Pooling, Milk & Dairy Foods Safety, Dairy Council and Milk Advisory Board, plus county health inspections.
- c) *Federal Assessments and Misc. Deductions* – National Dairy Promotion and any permits or third party component testing.

6. Total Milk Marketing Cost/Cwt. – Total monthly cost per cow, divided by the total monthly hundredweight of milk shipped per cow.

7. Total Cost/Cow/Month – Total of above line items, (1) through (9), divided by total cows.

8. Total Cost /Cwt. – Total costs, divided by the total hundredweight of milk shipped for the month.

9. Milk Production Data

- a) *Adjusted Gross (cwt.)* – Blend price based on California's Pool Price Announcement, minus regional quota adjuster (RQA) and transportation sub-pool, plus any transportation allowances. It

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Milk Production Cost Comparison - (Continued)

- does not include any quality or yield bonuses.
- b) *Milk Sold/Cow/Month (cwt.)* – Total hundredweight of milk shipped for the month, divided by total cows.
 - c) *Gallons Sold/Milk Cow/Day* – Total pounds of milk shipped, divided by 8.6, divided by number of days in the month, divided by number of milk cows.
 - d) *Fat Test %* – Total pounds of fat shipped, divided by total pounds of milk shipped for the month.
 - e) *SNF Test %* – Total pounds of solids–not–fat shipped, divided by total pounds of milk shipped for the month.
 - f) *Fat Sold/Milk Cow/Month (lb.)* – Total pounds of fat shipped, divided by total milk cows.
 - g) *SNF Sold/Milk Cow/Month (lb.)* – Total pounds of solids–not–fat shipped, divided by total milk cows.
- 10. Related Data**
- a) *Percent Dry Cows* – Total number of dry cows, divided by total cows.
 - b) *Yearly Cull Rate* – Twelve–month total of cows leaving the herd, divided by total cows.
 - c) *Average Value per Drop Bull Calf* – Total value of bull calves, divided by total bull calves.
 - d) *Milk Cow Alfalfa Hay Price (\$/ton)* – Average blend price of alfalfa hay fed to milking cows.
 - e) *Grain, Minerals & Supplements (\$/ton)* – Total grain, mineral and supplement costs, divided by total tons fed to milking cows.
 - f) *Grain Minerals & Supplements (lb./mc day)* – Total pounds of grain, minerals and supplements fed, divided by total milking cows, divided by the number of days in month.
 - g) *Milkers (\$/hr)* – Average hourly wage received by milkers, plus employer taxes and perquisites.
 - h) *Feed Costs per Milk Cow per Day* – Total feed costs for milking cows, divided by number of milking cows, divided by the number of days in the month.
 - i) *Milk Cow Feed Costs per Cwt.* – Total feed costs for milking cows, divided by total hundredweight of milk shipped.
 - j) *Milk Cows* – Number of lactating cows in herd.
 - k) *Total Cows* – Number of lactating and dry cows in herd.
 - l) *Mailbox price (cwt.)* – Gross dollars, minus any plant retains, plus any bonus dollars, minus total marketing costs, divided by total hundredweight of milk shipped.

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